

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7438**

**BILL NUMBER:** HB 1593

**NOTE PREPARED:** Jan 17, 2007

**BILL AMENDED:**

**SUBJECT:** Public Employees' Retirement Fund Multiplier.

**FIRST AUTHOR:** Rep. Cheney

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☐ FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases the multiplier for the computation of retirement benefits for a member of the Public Employees' Retirement Fund (PERF) retiring after June 30, 2007, from 1.1% to 1.8%.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** The impact to the state and political subdivisions from increasing the PERF multiplier to 1.8% is described in the following table.

	State	Political Subdivisions	Total
Increase in Unfunded Accrued Liability	\$1,388,800,000	\$1,932,000,000	\$3,320,800,000
Increase in Annual Cost	\$165,200,000	\$252,000,000	\$417,200,000
Increase in Annual Cost (as % of Pay)	10.36%	9.80%	10.08%
Decrease in Funded Status			From 97.6% to 75.7%

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See table in *Explanation of State Expenditures* for the impact on political subdivisions.

**Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund.

**Local Agencies Affected:** Local units with members in the Public Employees' Retirement Fund.

**Information Sources:** Doug Todd of McCready & Keane, Inc., actuaries for PERF, 317-576-1508.

**Fiscal Analyst:** James Sperlik, 317-232-9866.

**DEFINITIONS**

**Unfunded Actuarial Liability** -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

**Funded Status** - The relationship of the assets of a pension plan to its liabilities.